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**To:** [UHF-SI](#)  
**Subject:** EXTERNAL: Consultation response: PMSE clearing the 700 MHz band: Support for PMSE equipment owners  
**Date:** 12 July 2017 15:21:53

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Response:

**Your details**

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Representing: Organisation  
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Organisation (Optional): Royal National Theatre  
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Confirmation: I confirm that the correspondence supplied with this form is a formal consultation response. It can be published in full on Ofcom's website, unless otherwise specified below, and I authorise Ofcom to make use of the information in this response to meet its legal requirements.

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**Your response**

Question 1: Do you agree with our proposed criteria for who No. Ofcom has fallen short in both who is eligible for funding under Ofcom's proposed criteria by excluding groups like theatre producers who are affected despite not owning equipment, and what is eligible for funding by being overly selective in equipment terms and ignoring all

should be eligible for the grant scheme?: incremental project management and ancillary costs. This stakeholder is in full agreement with BEIRG's response.

Question 2: Do you agree with our assessment of the impact clearance will have on equipment which operates exclusively below 694 MHz?: No. Ofcom has failed to consider: stakeholders with equipment made redundant or less usable due to re-planning of DTT and; stakeholders with large integrated systems, all of which will need redesign or replacement as a result of the changes. This stakeholder is in full agreement with BEIRG's response.

Question 3: Do you agree with our analysis of the impact clearance will have on equipment which straddles the 700 MHz band and the spectrum below 694 MHz?: No. Any loss of functionality represents a loss attributable to Ofcom's decision to clear the 700 MHz band. Therefore every user affected should be entitled to receive a commensurate amount of funding as any reduction of equipment utility leaves PMSE equipment owners demonstrably worse off than they were before the clearance. If a PMSE operator believes that their equipment is still serviceable for their purposes, they will have no need to claim funding, especially given that the proposed funding available currently represents a meagre contribution towards the cost of replacement equipment. BEIRG believes that the end users and equipment owners are best placed to judge whether or not their equipment needs to be replaced. For those businesses which own the most equipment, all equipment should be eligible regardless of other considerations. These businesses will have to replace equipment below 694 MHz in order to achieve the necessary spectral efficiency. We agree with BEIRG.

Question 4: Do you have any evidence that an alternative boundary for the tuning range of equipment should be drawn?: Yes. Any reduction of the tuning range of purchased equipment reduces the value of the equipment. Ofcom should compensate any equipment affected by the clearance no matter what the extent of the disruption. This stakeholder is in full agreement with BEIRG's response.

Question 5: Do you agree with the proposed formula to estimate the level of funding?: No. The UK Government's decision to base the funding scheme exclusively on residual value of equipment has resulted in an extremely restricted funding formula that fails to capture the full extent of the costs that PMSE equipment owners and end users will bear as a result of Ofcom's decision to clear the band. By the time of clearance equipment owners will essentially have had to pay 153% of their expected initial investment (the cost of the original piece of equipment plus the 53% shortfall to purchase replacement equipment) for each piece of affected equipment. Previous funding formulas have made allowances for the cost of bringing forward a capital expenditure. This stakeholder is in full agreement with BEIRG's response.

With an average asset age at the time of clearance of 8.5 years and an average asset life of 15 years, PMSE equipment owners would reasonably expect to replace their equipment at the end of 2026, which is

Question 6: Do you agree with our approach to calculating asset life?:

5 years after the security of tenure of 2021. PMSE equipment owners never had the option of buying cheaper equipment with a shorter asset life because it does not exist. PMSE users could therefore never reasonably be expected to base their purchasing decisions on such a short security of tenure and can only have expected to receive full economic value of their equipment over the course of its expected life. In reality PMSE users will begin replacing equipment some 18 months before. They will therefore be ceasing to gain economic value from their equipment in mid-2018. This stakeholder is in full agreement with BEIRG's response.

Question 7:  
Are you aware of any developments which would mean data from the 2013 equipment survey or the 2010 Channel 69 statement are likely to misrepresent average asset life?:

Yes. Ofcom have made the assumption that PMSE users “have not materially expanded their stocks of equipment since 2013”. This does not match our experience.

Question 8: Do you agree with the use of an average asset age for the estimation of funding entitlements? If not, do you have any suggestions for an alternative approach?:

If the scheme is based narrowly on residual value of equipment, the heavy reliance on averages is a problem. Appreciating that it is necessary to use averages in the absence of any other reliable method of collecting data, there will be some instances where PMSE users do not receive as much funding as they would have if Ofcom had undertaken a case-by-case assessment. While from an economic perspective this may balance out across the industry as a whole (but only if the changes mentioned in this consultation response are made), it will not always be the case across individual users' inventories. Some equipment companies will go out of business. This stakeholder is in full agreement with BEIRG's response.

Question 9:  
Are we correct in our assumption that a large proportion of PMSE equipment owners will not have evidence of when they purchased their equipment?:

Ofcom is correct in its assumption that a large proportion of PMSE equipment owners will not have evidence of when they purchased their equipment.

Question 10:  
Do the data in

the 2013  
equipment  
survey provide  
a reasonable  
basis for  
calculating  
average  
equipment age?  
If not do you  
have an  
alternative  
approach for  
gathering  
relevant data  
for making this  
calculation?:

Most relevant assets will be 8.5 years old, with an average asset life of 15 years by the time of clearance. PMSE stakeholders would reasonably expect to replace equipment at the end of 2026, so the asset life of equipment has always extended beyond the security of tenure of 2021. In reality PMSE users will begin replacing equipment some 18 months before. They will therefore be ceasing to gain economic value from their equipment in mid-2018.

Question 11:  
Do you have  
any comments  
on our  
proposals for  
how the claims  
handling  
process should  
operate?:

Ofcom must build as much flexibility into the claims handling process as possible in order to allow PMSE users to claim for their equipment at a time that does not negatively impact their businesses or the smooth running of theatre and studios. This may mean extending the period during which PMSE equipment owners can process their claims. Processing claims should be as quick as possible to minimise the time that PMSE users are without equipment or funding. An alternative to this approach would be that PMSE users do not have to surrender their equipment until the introduction of mobile services into the 700MHz band. This would mean PMSE users being funded for the lost utility of equipment, but still allowing them to maximise the remaining utility. Ofcom should also ensure that the funding scheme is well publicised and user-friendly. This stakeholder is in full agreement with BEIRG's response.